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ANNUAL  
REPORT

*Royal American  
Petroleums Ltd.*

an exploration  
company





# *Royal American Petroleums Ltd.*

# 1966 ANNUAL REPORT

## BOARD OF DIRECTORS

JOE L. MILNER, B. Sc., P. Eng.	Edmonton, Alberta
ROBERT S. MATHESON, B.A., LL.B., Q.C.	Edmonton, Alberta
J. ARTHUR JONES	Edmonton, Alberta
NORMAN A. LAWRENCE, B.Sc., P. Eng.	Edmonton, Alberta
HAROLD A. SMITH	Edmonton, Alberta
NELLO W. MARANO, B.Sc.	Calgary, Alberta
HAMILTON ANDERSON	Vancouver, B. C.
EDWARD G. BULMER	Toronto, Ontario

## chief executive officers

JOE L. MILNER, B.Sc., P. Eng.	President
ROBERT S. MATHESON, B.A., LL.B., Q.C.	Vice-President
J. ARTHUR JONES	Secretary-Treasurer

## office

HEAD OFFICE:  
15816 - 112 Avenue, Edmonton, Alberta  
Elveden House, Calgary, Alberta

## auditors

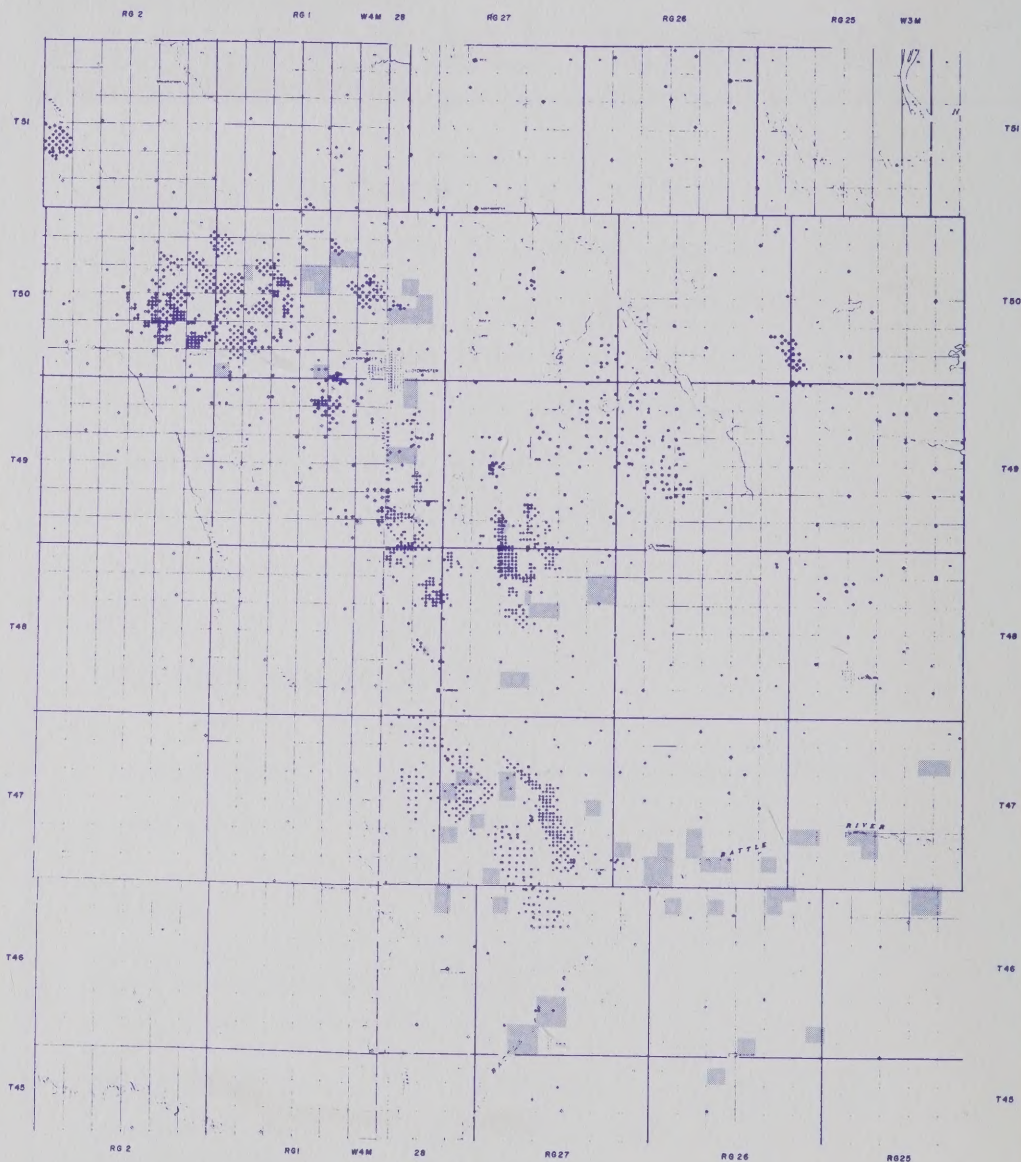
PRICE WATERHOUSE & CO. - Chartered Accountants,  
Edmonton, Alberta

## registrar and transfer agents

CANADA PERMANENT TRUST COMPANY  
Edmonton • Vancouver • Montreal • Toronto

## stock exchange

LISTED ON THE VANCOUVER STOCK EXCHANGE  
CANADIAN STOCK EXCHANGE



ROYAL AMERICAN PETROLEUMS LTD.

Lloydminster Area



# Royal American Petroleums Ltd.

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## PRESIDENT'S REPORT TO SHAREHOLDERS

A review of the past year's activities shows that the Company has made very satisfactory progress in both the exploration and development fields. There is no doubt that our exploratory venture at Bistcho Lake required a concentration of efforts on the part of personnel as well as requiring a substantial portion of our yearly budget, and yet a satisfactory rate of the development of our oil reserves in other areas has been maintained.

### BISTCHO LAKE

The Company, together with its partners, drilled an exploratory venture in November of 1965 on properties farmed out from the Sun Oil Company. This well, ROY AM CESS SUN BISTCHO 1-4-126-6 was drilled on the basis of geophysical information in what is now known as the Bistcho-Rainbow Lake area. This first test well, while encountering encouraging shows, was abandoned. Because of the necessity to proceed with exploratory activities during the winter months, the Company elected to immediately follow up this first well to fully examine the potential of the property. The second well, 10-10-126-6, was commenced in March of 1966 and resulted in a commercial producer. The increase in porosity and other reservoir factors noted from the first to the second well, indicates that the balance of the property located on the seismic feature has high potential.

The second well was completed at about the time that Spring break-up occurred and therefore we have not had an opportunity to complete the well and finally determine its ability to produce. This would require additional completion equipment and the like. Owing to the cost of taking this equipment to this remote site, it was felt that this completion should await a final decision to drill a third well at which time equipment, men and supplies would be in the area.

This play is still quite speculative in nature. There is no doubt that there are very excellent possibilities to drill up and establish a very substantial reserve of light gravity crude oil. The risks of the oil business being what they are, shareholders must realize that this reserve cannot be claimed until drilled.

The Company, as at the date of this writing, is completing negotiations and planning before proceeding with the completion of the second well and the drilling of the third. We shortly hope to be in a position to make an announcement in this regard.

### LLOYDMINSTER

During the past year, the Company engaged the services of D. L. Flock and Associates, Consulting Engineers, for the purpose of doing a complete evaluation on our properties in this area as well as recommending certain steam recovery processes. In addition, six wells were drilled and completed. The Flock report quotes total primary reserves at 10,084,000 barrels and reserves recoverable through steamflood of 28,146,000 barrels, for a total recoverable reserve of 38,230,000 barrels. We consider this to be a very substantial asset.

# 1966 ANNUAL REPORT

## PRESIDENT'S REPORT TO SHAREHOLDERS - continued

### Lloydminster

Following the receipt of this report, the Company planned a thermal recovery scheme and is currently in the process of negotiating with two offset leaseholders who are affected, before instituting the first steam flooding. The background work, planning, designing and evaluations have been completed and shortly a submission will be made to the government of Saskatchewan for a permit to proceed with thermal recovery.

Additionally, the Company is currently planning the drilling of more wells offsetting proven production. This development drilling should proceed early this Fall.

### Other Areas

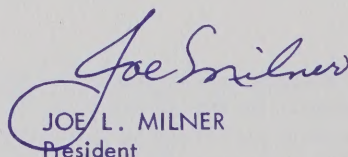
Other areas on which exploratory and development activities were undertaken during the past year are the Blood Indian Reserve, Duhamel and Hondo-Mitsue.

On the Blood Reserve property, the Company continued with the testing of the well drilled and conducted certain specific acidizing procedures all of which have yielded satisfactory results. We plan to continue production testing and anticipate being in a position, by early 1967, to elect to drill additional wells.

A well was drilled on the Mitsue property in conjunction with our partner, American Leduc Petroleum Ltd. This well was drilled and completed in January, 1966. The current plans are for this property to be added to a unit in the Mitsue Field.

The Company has been successful in arranging a farm-out proposal by the terms of which a well will be drilled offsetting our Duhamel properties. Final arrangements have been completed and this test will be underway shortly. This well, being drilled at no cost to our Company, will assist considerably in the evaluation of the Duhamel acreage.

Royal American has continued to participate in new industry developments. More than ever, the industry is feeling the effect of the stimulus of exploration activities. In view of world demands for petroleum products and the increasing interest being shown by foreign companies, we believe that new levels will be reached each year for the next several years. This will provide a climate for ensuring continued growth and expansion, resulting in adequate rewards for investor confidence.

  
JOE L. MILNER  
President

August 2, 1966



# Royal American Petroleum Ltd.

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## auditors' report

June 9, 1966

To the Shareholders of  
Royal American Petroleum Ltd:

We have examined the balance sheet of Royal American Petroleum Ltd. as at December 31, 1965 and the statement of profit and loss and deficit for the year ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, and according to the best of our information and the explanations given to us and as shown by the books of the company, the accompanying balance sheet and statement of profit and loss and deficit are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the company as at December 31, 1965 and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year except for the change described in Note 3 to the financial statements, with which we concur.

PRICE Waterhouse & Co.

Chartered Accountants.

ACREAGE BREAKDOWN			
Area	Gross Acreage	Net Acreage	Average Interest - %
Blood Indian Reserve	9,654	7,240	75
Utikima Lake	19,840	397	2
Big Valley	960	960	100
Duhamel	2,204	648	29.5
Foothills	160	160	100
Greencourt	160	160	100
Hondo	960	384	40
Lloydminster - Lone Rock	11,961	11,702	99.8
Lousana	3,360	3,360	100
Obed	160	160	100
Wainwright	1,160	880	75.8
Leduc - Calmar	120	24	20
Bistcho Lake	24,320	8,200	33.72
TOTAL	75,019	34,275	45.7
Muriel Lake (Potash)	59,819	59,819	100

# 1966 ANNUAL REPORT

# Royal American

AN ALBERTA COMPANY

BALANCE SHEET  
DECEMBER 31, 1966

## ASSETS

### CURRENT ASSETS:

Cash	\$ 9,982.84	
Accrued interest	132.95	
Accounts receivable	99,202.69	
Materials and supplies, at cost	12,063.60	
Prepaid expenses and deposits	10,659.14	\$132,041.22

### INVESTMENTS, at cost:

2 $\frac{3}{4}$ % Government of Canada Bonds, maturing June 15, 1968 (market value \$7,624)	7,570.00	
Shares in Consolidated West Petroleums Ltd. (market value \$27,239.82)		
Note 1	35,149.78	42,719.78

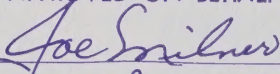
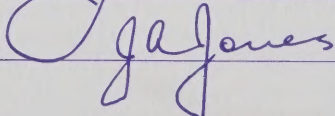
### FIXED ASSETS, at cost:

Lands, leases and agreements	216,495.53	
Production equipment	81,654.18	
Development costs	373,668.50	
Office equipment	4,490.77	
House trailer	900.00	
	677,208.98	

Less - Accumulated depreciation, depletion and amortization	74,024.82	603,184.16
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DRILLING AND RESERVATION DEPOSITS		36,855.00
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APPROVED ON BEHALF OF THE BOARD:

 Director  
 Director

\$814,800.16

## notes to the financial statements

### NOTE 1 - CONTINGENT LIABILITY:

The company is contingently liable as guarantor of a bank loan of an individual for \$8,240. The loan is limited for \$22,815.

### NOTE 2 - SHARE CAPITAL:

- Under the terms of an underwriting agreement dated January 14, 1966 the company has agreed to return the company \$147,500.
- The company has allotted 4,860 Class B voting shares for the purpose of purchasing a standing share of Ribrock Oils Ltd. To December 31, 1965 the company received 616 of its own stock.
- On October 13, 1965, the company entered into two stock option agreements with key management. The agreements provided for the company to issue 10,000 shares of its own stock for a maximum of 10,000 shares on or before each anniversary date, for the next five years, for a maximum of 10,000 shares.

### NOTE 3 - ACCOUNTING POLICIES:

A portion of the land agent's salary amounting to \$8,105 has been capitalized as part of cost of such costs were written off to earnings. Earnings for the year ended December 31, 1964



# Petroleums Ltd.

COMPANY

s h e e t

31, 1965

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## Liabilities

### CURRENT LIABILITIES:

Demand loan payable	\$ 20,000.00	
Accounts payable	156,027.17	\$176,027.17

### DEFERRED LIABILITY:

Participants' share of drilling deposits		2,000.00
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### DEFERRED INCOME:

Unamortized bond discount		708.20
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### SHAREHOLDERS' EQUITY:

Share capital - (Note 2)

Authorized -

2,000,000 Class "A" common non-voting  
shares without nominal or par value

2,000,000 Class "B" common voting  
shares without nominal or par value

Issued - Class "B" voting shares

	Shares	
Balance December 31, 1964	1,233,500	498,300.00
Issued during the year for cash	401,104	330,828.00
Allotted and/or issued for shares of Ribrock Oils Ltd.	4,860	3,645.00
	1,639,464	832,773.00
Deficit, per accompanying statement		196,708.21

636,064.79

- THE NOTES TO THE FINANCIAL STATEMENTS  
ARE AN INTGRAL PART OF THIS STATEMENT.

- THE AUDITORS' REPORT  
IS ATTACHED TO THIS BALANCE SHEET.

\$814,800.16

## ncial statements

guarantee arose through the acquisition of 10,139 shares of Consolidated West Petroleums

the underwriters the right to purchase 100,000 Class B shares at \$1.475 per share which

the outstanding shares of Ribrock Oils Ltd. by the issuance of 5 Class B shares for each out-  
es of the 972 issued shares of Ribrock Oils Ltd. in exchange for 3,080 Class B voting shares

ent personnel whereby they are granted the right to purchase at 90¢ per share 13,000 Class B  
65,000 shares.

ls, leases and agreements to reflect a more accurate cost of these properties. In prior years  
e reduced by \$6,050 for the land agent's salary.

# Royal American Petroleums Ltd.

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## statement of profit and loss and deficit for the year ended December 31, 1965

Crude oil sales \$ 48,276.45

Production expense:

Royalties	\$ 5,659.34	
Operating expense	<u>28,557.17</u>	<u>34,216.51</u>
		<u>14,059.94</u>

General and administrative expense:

Salaries	8,255.00	
Employee benefits	725.71	
Office and stationery	3,766.37	
Telephone and telegraph	4,275.69	
Office rent	3,774.00	
Travelling and subsistence	2,352.28	
Insurance	549.96	
Maps, reports and fees	8,061.51	
Reports and releases to shareholders	3,030.94	
Professional fees	4,074.94	
Transfer fees	1,956.62	
Interest and bank charges	780.80	
Donations	945.00	
Advertising	257.70	
Miscellaneous	<u>822.11</u>	<u>43,628.63</u>
		<u>29,568.69</u>

Other income:

Gain on sale of fixed assets	11,969.35	
Gain on sale of drilling records	2,400.00	
Interest	<u>1,288.58</u>	<u>15,657.93</u>
		<u>13,910.76</u>

Other expenses:

Provision for depreciation, depletion and amortization	11,151.47	
Leases and properties abandoned	36,957.90	
Listing and financing costs	<u>14,488.66</u>	<u>62,598.03</u>
Net loss for the year		<u>76,508.79</u>

Deficit, December 31, 1964

120,199.42

Deficit, December 31, 1965

\$196,708.21



# Royal American Petroleums Ltd.

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## profit and loss statement for the six month period ended June 30, 1966

<u>Gross Crude Oil Sales:</u>		22,280.41
<u>Other Income:</u>		
Interest	110.00	
Miscellaneous	2,265.50	
Administrative Fee	14,525.00	16,900.50
		<u>39,180.91</u>
<u>Production Expense:</u>		
Royalties	2,381.38	
Operating Expense	24,999.51	27,380.89
		<u>11,800.02</u>
<u>General and Administrative Expense:</u>		
Salaries	16,469.00	
Employee Benefits	964.37	
Office and Stationery	3,818.06	
Telephone and Telegraph	2,927.45	
Office Rent	2,115.00	
Travelling and Subsistence	589.19	
Insurance	1,003.72	
Maps, Reports and Fees	1,327.91	
Professional Fees	1,602.20	
Transfer Fees and Expense	569.19	
Interest and Bank Charges	715.94	
Advertising	83.50	
Donations	25.00	
Other	284.55	32,495.08
		<u>20,695.06</u>
<u>Other Expenses:</u>		
Provision for Depreciation, Amortization and Depletion	4,807.23	
Listing and Financial Costs	4,181.94	8,989.17
		<u>29,684.23</u>
Deficit: December 31, 1965		<u>196,708.21</u>
Deficit: June 30, 1966		<u>\$ 226,392.44</u>

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# Royal American

## interim proforma balance

(After giving effect to the sale of 100,000 shares at a price of \$1.70 per share returning net to the Company of \$170,000.00, the amount of which was received in July, 1966)

### assets.

Cash on hand and in bank	\$ 18,366.28	
Accounts receivable as per underwriting agreement	170,000.00	
Accounts and notes receivable	173,935.87	
Advances and deposits	3,546.66	
Equipment inventory	12,063.60	
21,081 shares Consolidated West Petr. Ltd.	35,691.14	
Prepaid expenses	669.28	\$ 414,272.83

### fixed assets.

Production equipment	85,089.71	
Well development costs	601,748.76	
Lands, leases and agreements	261,366.33	
Office furniture and fixtures	4,672.27	
Other depreciable assets	900.00	
	953,777.07	
Less: Accumulated depreciation, amortization & depletion	874,945.02	
	874,945.02	
Drilling Deposits	27,462.50	
Reservation Deposits	13,962.50	
Total		\$1,330,642.85

PREPARED WITHOUT AUDIT FROM THE BOOKS OF ACCOUNT



# Petroleums Ltd.

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sheet - as at June 30, 1966

(After giving effect to the sale of 100,000 shares at a price of \$1.70 per share returning net to the Company of \$170,000.00, the amount of which was received in July, 1966)

## liabilities.

Bank Loan	20,000.00	
Accounts payable	384,201.09	404,201.09

## other.

Participants Share Drilling Deposit	2,000.00	
Deferred income	561.20	2,561.20

## share capital.

Authorized: 2,000,000 Class "A" common  
non-voting shares without  
nominal or par value  
2,000,000 Class "B" common  
voting shares without nominal  
or par value

Issued: - Class "B" voting shares	1,837,684	1,148,938.00
Allotted - Class "B" voting shares	1,780	1,335.00
	1,839,464	1,150,273.00

Deficit	226,392.44	923,880.56
Total		\$1,330,642.85

Prepared from the books of account without audit.

PREPARED WITHOUT AUDIT FROM THE BOOKS OF ACCOUNT

# Royal American Petroleums Ltd.

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## source and application of funds DECEMBER 31, 1965 TO JUNE 30, 1966

### source of funds

Underwritings	\$317,500.00
Return of Reservation Deposit	3,000.00
Reclassification of shares of Consolidated West Petroleums Ltd.	<u>35,691.14</u>
	<u>356,191.14</u>

### application of funds

Deficit per profit and loss statement	29,684.23
Non-Cash Items: Add Unamortized Bond Discount	<u>147.00</u>
	29,831.23
Deduct: Provision for depreciation, depletion and amortization	<u>4,807.23</u>
	25,024.00

Well Development Costs - Blood Indian Well	8,755.09	
- Bistcho Lake Wells	199,273.35	
- American Leduc Mitsue	9,220.60	
- Kodiak Roy Am 1A3	4,844.99	
- Kodiak Roy Am 2A3	2,255.42	
- Lone Rock & Lloyd-minster Wells	<u>3,730.81</u>	228,080.26

#### Lands, Leases and Agreements

- Ft. Assiniboine	3,662.88	
- Bistcho Lake area	20,905.61	
- Potash Report	1,000.00	
- Blood Indian Reserve	9,731.00	
- Other	<u>9,571.31</u>	44,870.80

#### Production Equipment & Other

<u>4,158.39</u>
<u>302,133.45</u>

### increase in working capital

\$ 54,057.69

	<u>June 30, 1966</u>	<u>Dec. 31, 1966</u>
Current Assets	414,272.83	132,041.22
Current Liabilities	404,201.09	176,027.17
Working Capital (Deficiency)	<u>10,071.74</u>	<u>(43,985.95)</u>

Increase in Working Capital \$ 54,057.69





